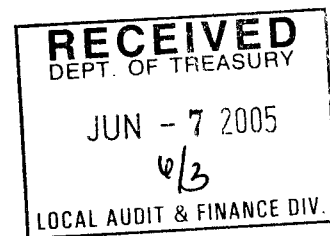


Big Rapids Township
Mecosta County
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended December 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

RECEIVED
DEPT. OF TREASURY

JUN - 7 2005

LOCAL AUDIT & FINANCE DIV.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Big Rapids Township	County Mecosta
Audit Date 12/31/04	Opinion Date 3/10/05	Date Accountant Report Submitted to State: 6/3/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Brickley DeLong, PLC

Street Address

500 Terrace Plaza, P.O. Box 999

City

Muskegon

State

MI

ZIP

49443

Accountant Signature

Therese D. Carter, C.P.A. for Brickley DeLong, PLC

Date

6/3/05

Big Rapids Township
LIST OF ELECTED AND APPOINTED OFFICIALS
December 31, 2004

ELECTED OFFICIALS

Supervisor.....Maxine McClelland
Clerk..... Sherri Gilbert
Treasurer.....Roger Winegar
Trustees Vivian Smith
Perry Douglass

Big Rapids Township

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BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

As management of the Big Rapids Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Big Rapids Township for the fiscal year ended December 31, 2004. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with this prior year financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

- The Township's General Fund balance decreased by \$79,783.
- The Total net assets of all governmental funds increased \$379,852. The Township received a grant of \$400,000 for improvements to the Industrial Development Park, which contributed to the increase in the governmental funds.
- The change in net assets in the Sewer Fund was \$157,942, which was an increase of 87% from the prior year. The increase is due mainly to several new sewer connections.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Big Rapids Township's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Big Rapids Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Big Rapids Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Department Fund, Building Inspection Fund, and the Cemetery non-expendable Trust Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Sewer Fund, which is a major fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, the Fire Department Fund, and the Building Inspection Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Big Rapids Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2004, the Township's net assets from governmental activities totaled \$1,072,836 (47%) and \$1,210,477 (53%) from business-type activities, creating a total government-wide net assets total of \$2,283,313. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2003 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that a significant portion (76%) of governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These capital assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects.

Big Rapids Township Net Assets

	<u>Governmental Activities 2004</u>
Current assets and other assets	\$ 534,285
Capital assets	<u>864,071</u>
Total assets	<u>1,398,356</u>
Current liabilities	<u>325,520</u>
Net assets	
Invested in capital assets, net of related debt	814,624
Unrestricted	<u>258,212</u>
Total net assets	<u><u>\$ 1,072,836</u></u>

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Governmental Activities

Net assets increased by \$379,852 during the 2004 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues were exceeded by its operating expenditures, producing the resulting net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Big Rapids Township Change in Net Assets

	<u>Governmental Activities 2004</u>
Revenues:	
Program revenues	
Charge for services	\$ 181,616
Operating grants	433,503
General revenues	
Property taxes	256,201
Grants and contributions not restricted	230,866
Unrestricted investment earning	5,857
Miscellaneous	21,189
Total revenues	<u>1,129,232</u>
Expenses:	
General government	466,345
Public safety	182,513
Public works	51,149
Community and economic development	39,601
Culture and recreation	6,031
Interest on long-term debt	3,741
Total expenses	<u>749,380</u>
Change in net assets	379,852
Net assets - January 1, 2004	692,984
Net assets - December 31, 2004	<u><u>\$ 1,072,836</u></u>

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Big Rapids Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Big Rapids Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2004 fiscal year, the Big Rapids Township governmental funds reported a combined unreserved fund balance of \$99,189. This number represents the unreserved fund balance of \$97,840 in the General Fund and \$1,349 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as reserves for prepaid items \$7,921, advances \$48,000 and perpetual care \$103,102. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$258,212, which consists of a fund balance of \$145,840 in the General Fund plus the fund balance of \$112,372 in other governmental funds.

The General Fund is the chief operating fund of the Big Rapids Township. At the end of the fiscal year 2004, the unreserved General Fund fund balance was \$97,840 and the total General Fund fund balance was \$145,840.

The other governmental funds column consists of various funds. The Fire Department Fund is the largest fund in that schedule and ended the year with a current year change in fund balance of \$5,168, which brought the end of year fund balance to \$6,373. The current year change in fund balance was primarily caused by an increase in the number of fire runs.

General Fund Budget

The General Fund election wages budget increased from \$3,000 to \$5,750 due to the fact that the Township hired more workers for the presidential election, plus this year a new voting precinct was added. These factors were not known during the original budget adoption process and, therefore, were not considered in the original budget.

The General Fund Highways and Streets contractual services increased from \$35,000 to \$44,500. This was due to problems with a paving project, which increased costs to an amount higher than anticipated.

The health insurance line item budget went from \$20,000 in the original budget to \$22,953 in the final budget. Health insurance rate increases were more than expected.

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

The building inspection professional services line item was adjusted up from \$700 to \$2,700 in order to hire an attorney in a trailer park code violations proceeding.

A new line item, Sewer Fund IPP Contract, was added to the budget during the fiscal year. This line item represented a new charge that the Township was required to pay to the City of Big Rapids for sewer industrial pretreatment services. In addition to this charge, the City also increased the sewer contract with the Township and the Township adjusted the sewer contract budget from \$90,000 to \$100,000 to reflect this change.

Capital Assets

The Big Rapids Township investment in capital assets for its governmental and business-type activities as of March 31, 2004 totaled \$1,651,669 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

BIG RAPIDS TOWNSHIP CAPITAL ASSETS
(Net of Accumulated Depreciation)

	Governmental Activities 2004
Land	\$ 97,429
Buildings and improvements	328,809
Construction in progress	46,806
Plants and systems	787,598
Machinery and equipment	33,977
Vehicles	357,050
Total	<u>\$ 1,651,669</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

**BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004**

At the end of the 2004 fiscal year, the Big Rapids Township had total outstanding debt of \$109,447. Approximately \$60,000 or (55%) of the Township's outstanding debt represented in the table below is a revenue bond. The payment of this debt service is anticipated through the revenues generated from the water and sewer services in the enterprise fund.

BIG RAPIDS TOWNSHIP OUTSTANDING DEBT

	Governmental Activities <u>2004</u>
Note payable	\$ 49,447
Revenue bonds	<u>60,000</u>
Total	\$ <u>109,447</u>

The Township's total debt decreased by \$457,593 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2004 Budget, and a grant of \$400,000 to pay-off the debt for the Industrial Development Park.

Additional information on the Big Rapids Township's long-term debt can be found in Note F of the notes to the financial statements, beginning on page 22.

General Economic Overview

The Big Rapids Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 79% of the General Fund revenue sources. In fiscal 2005, state revenue sharing is expected to continue to decline. Property tax revenues will remain flat at best.

The Township has undertaken a number of measures to offset the fund deficits and declining revenues among them are reducing overall spending and working with a balanced budget. The result of some of these actions may be reflected in the 2005 final expenditures, however, it should be noted that in some cases the actions have effectively slowed the rate of increase in expenditures and not reduced them.

BIG RAPIDS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects in various stages of development among them are the Industrial Development Park, chain store development, and several apartment/condominium projects.

Requests for Information

This financial report is designed to provide a general overview of the Big Rapids Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Big Rapids Township, 14212 Northland Drive, Big Rapids, MI and 49307, (231) 796-3603.

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

March 10, 2005

To the Township Board
Big Rapids Township
Mecosta County
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Rapids Township as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Rapids Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Rapids Township, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Big Rapids Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages i through viii and 26 through 31 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DeLONG

Township Board
March 10, 2005
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Big Rapids Township's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, P.C.

Big Rapids Township
STATEMENT OF NET ASSETS
December 31, 2004

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 242,049	\$ 449,561	\$ 691,610
Receivables	199,875	34,352	234,227
Internal balances	46,806	(1,034)	45,772
Due from other governmental units	37,634	-	37,634
Prepaid items	7,921	-	7,921
Total current assets	534,285	482,879	1,017,164
NONCURRENT ASSETS			
Capital assets, net of depreciation			
Nondepreciable	97,429	-	97,429
Depreciable	766,642	787,598	1,554,240
Total noncurrent assets	864,071	787,598	1,651,669
Total assets	1,398,356	1,270,477	2,668,833

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable and accrued expenses	3,765	-	3,765
Deferred revenue	272,308	-	272,308
Bonds and notes payable, due within one year	49,447	10,000	59,447
Total current liabilities	325,520	10,000	335,520
NONCURRENT LIABILITIES			
Bonds, less amounts due within one year	-	50,000	50,000
Total liabilities	325,520	60,000	385,520
NET ASSETS			
Invested in capital assets, net of related debt	814,624	727,598	1,542,222
Unrestricted	258,212	482,879	741,091
Total net assets	\$ 1,072,836	\$ 1,210,477	\$ 2,283,313

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2004

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Primary government						
Governmental activities						
General government	\$ 466,345	\$ 54,221	\$ 20,427	\$ (391,697)	\$ -	\$ (391,697)
Public safety	182,513	127,395	13,076	(42,042)	-	(42,042)
Public works	51,149	-	-	(51,149)	-	(51,149)
Community and economic development	39,601	-	400,000	360,399	-	360,399
Culture and recreation	6,031	-	-	(6,031)	-	(6,031)
Interest on long-term debt	3,741	-	-	(3,741)	-	(3,741)
Total governmental activities	749,380	181,616	433,503	(134,261)	-	(134,261)
Business-type activities:						
Sewer operations	173,692	328,931	-	-	155,239	155,239
Total primary government	\$ 923,072	\$ 510,547	\$ 433,503	(134,261)	155,239	20,978
General revenues:						
Taxes						
Property taxes, levied for general purposes				118,076	-	118,076
Property taxes, levied for fire operations				138,125	-	138,125
Grants and contributions not restricted to specific programs				230,866	-	230,866
Unrestricted investment earnings				5,857	2,703	8,560
Miscellaneous				21,189	-	21,189
Total general revenues, special items, and transfers				514,113	2,703	516,816
Change in net assets				379,852	157,942	537,794
Net assets at January 1, 2004				692,984	1,052,535	1,745,519
Net assets at December 31, 2004				\$ 1,072,836	\$ 1,210,477	\$ 2,283,313

The accompanying notes are an integral part of this statement.

Big Rapids Township
BALANCE SHEET
Governmental Funds
December 31, 2004

	ASSETS					Cemetery Perpetual Care	Building Inspection Fund	Fire Department	Other governmental funds	Total governmental funds
	General Fund									
Cash and investments	\$ 67,121	\$	12,808	\$	54,906	\$ 103,102			\$ 4,112	\$ 242,049
Taxes receivable	92,251		107,624		-	-			-	199,875
Due from other governmental units	37,634		-		-	-			-	37,634
Due from other funds	26,516		24,646		-	-			-	51,162
Prepaid items	-		7,921		-	-			-	7,921
Advances to other funds	48,000		-		-	-			-	48,000
Total assets	\$ 271,522	\$	152,999	\$	54,906	\$ 103,102			\$ 4,112	\$ 586,641
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$	-	\$	75	-			\$ 3,690	\$ 3,765
Due to other funds	-		-		4,356	-			-	4,356
Deferred revenue	125,682		146,626		-	-			-	272,308
Advances from other funds	-		-		-	-			48,000	48,000
Total liabilities	125,682		146,626		4,431	-			51,690	328,429
Fund balances (deficits)										
Reserved for:										
Prepaid items	-		7,921		-	-			-	7,921
Advances	48,000		-		-	-			-	48,000
Perpetual Care	-		-		-	103,102			-	103,102
Unreserved	97,840		(1,548)		50,475	-			(47,578)	99,189
Total fund balances	145,840		6,373		50,475	103,102			(47,578)	258,212
Total liabilities and fund balances	\$ 271,522	\$	152,999	\$	54,906	\$ 103,102			\$ 4,112	\$ 586,641

The accompanying notes are an integral part of this statement.

Big Rapids Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**

December 31, 2004

Total fund balance—governmental funds	\$ 258,212
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	
Cost of capital assets	\$ 1,277,084
Accumulated depreciation	<u>(413,013)</u>
	864,071
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.	
Long-term liabilities	<u>(49,447)</u>
	(49,447)
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 1,072,836</u>

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended December 31, 2004

REVENUES	General Fund	Fire Department	Building Inspection Fund	Cemetery Perpetual Care	Other governmental funds	Total governmental funds
Property taxes	\$ 118,076	\$ 138,125	\$ -	\$ -	\$ -	\$ 256,201
Licenses and permits	8,331	-	-	-	-	8,331
Intergovernmental revenues						
State	227,204	-	-	-	3,661	230,865
Local	20,427	13,076	-	-	-	33,503
Charges for services	60,684	-	127,395	1,172	-	189,251
Investment earnings	2,662	537	297	2,175	185	5,856
Other	1,009	7,543	-	-	-	8,552
Total revenues	438,393	159,281	127,692	3,347	3,846	732,559
EXPENDITURES						
Current						
General government	411,847	-	-	-	-	411,847
Public safety	-	77,996	82,853	-	3,690	164,539
Public works	51,149	-	-	-	-	51,149
Community and economic development	33,629	-	-	-	-	33,629
Culture and recreation	5,583	-	-	-	-	5,583
Debt service	-	47,593	-	-	-	47,593
Principal	-	3,741	-	-	-	3,741
Interest and fees	-	-	-	-	-	-
Capital outlay	15,968	24,783	74	-	52,777	93,602
Total expenditures	518,176	154,113	82,927	-	56,467	811,683
Excess of revenues over (under) expenditures	(79,783)	5,168	44,765	3,347	(52,621)	(79,124)
OTHER FINANCING SOURCES (USES)						
Operating transfers out	-	-	-	(3,329)	-	(3,329)
Other financing sources (uses)	-	-	-	(3,329)	-	(3,329)
Net change in fund balances	(79,783)	5,168	44,765	18	(52,621)	(82,453)
Fund balances at January 1, 2004	225,623	1,205	5,710	103,084	5,043	340,665
Fund balances (deficit) at December 31, 2004	\$ 145,840	\$ 6,373	\$ 50,475	\$ 103,102	\$ (47,578)	\$ 258,212

The accompanying notes are an integral part of this statement.

Big Rapids Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 For the year ended December 31, 2004

Net change in fund balances—total governmental funds:	\$ (82,453)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances; these costs are depreciated over their estimated useful lives.	
Depreciation expense	\$ (48,853)
Capital outlay	<u>14,712</u>
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
	<u>447,593</u>
Change in net assets of governmental activities	<u>\$ 379,852</u>

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF NET ASSETS
 Sewer Fund
 December 31, 2004

ASSETS

CURRENT ASSETS	
Cash and investments	\$ 449,561
Accounts receivable	34,352
Total current assets	<u>483,913</u>
NONCURRENT ASSETS	
Capital assets, net	
Depreciable assets	974,740
Less accumulated depreciation	(187,142)
Total noncurrent assets	<u>787,598</u>
Total assets	<u>1,271,511</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Due to other funds	1,034
Bonds, capital leases and contracts, due within one year	10,000
Total current liabilities	<u>11,034</u>
NONCURRENT LIABILITIES	
Bonds, capital leases and contracts, less amounts due within one year	50,000
Total liabilities	<u>61,034</u>
NET ASSETS	
Invested in capital assets, net of related debt	727,598
Unrestricted	482,879
Total net assets	<u>\$ 1,210,477</u>

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Sewer Fund

For the year ended December 31, 2004

REVENUES	
Charges for services	\$ 200,181
OPERATING EXPENSES	
Operations	144,229
Depreciation and amortization	24,368
Total operating expenses	<u>168,597</u>
Operating income	31,584
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,703
Connection fees	128,750
Interest expense	(5,095)
Total nonoperating revenue (expenses)	<u>126,358</u>
Change in net assets	157,942
Total net assets at January 1, 2004	<u>1,052,535</u>
Total net assets at December 31, 2004	<u><u>\$ 1,210,477</u></u>

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF CASH FLOWS

Sewer Fund

For the year ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers
Payments to suppliers

\$ 198,988
(153,303)
45,685

Net cash provided by operating activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Connecting fees
Principal and interest paid on capital debt

128,750
(15,095)
113,655

Net cash provided by capital and related financing activities

CASH FLOW FROM INVESTING ACTIVITIES

Investment earnings

2,703
162,043

Net increase in cash and cash equivalents

Cash and investments at January 1, 2004

287,518

Cash and investments at December 31, 2004

\$ 449,561

Reconciliation of operating income to net cash provided by operating activities

Operating income

\$ 31,584

Adjustments to reconcile operating income to net cash provided by operating activities

Depreciation expense

24,368

Change in assets and liabilities

(1,193)
(9,074)

Receivables, net

Accounts payable

Net cash provided by operating activities

\$ 45,685

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 December 31, 2004

	Pension Trust Fund	Cemetery Expendable Trust Fund	Agency Funds	
			Tax Collection Fund	Agency Fund
ASSETS				
Cash and investments	\$ 428,127	\$ 61,320	\$ 440,984	\$ 639
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 45,772	\$ -
Due to other governments	-	-	395,212	-
Deposits held for others	-	-	-	639
Total liabilities	-	-	440,984	639
NET ASSETS				
Held in trust for pension benefits and other purposes	\$ 428,127	\$ 61,320	\$ 440,984	\$ -

The accompanying notes are an integral part of this statement.

Big Rapids Township
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds

For the year ended December 31, 2004

	Pension Trust Fund	Cemetery Expendable Trust Fund
ADDITIONS		
Contributions		
Employer	\$ 26,636	\$ -
Investment earnings		
Net increase in fair value of investments	46,165	-
Investment earnings	397	-
Total net investment earnings	46,562	-
Other additions		
Transfers in	-	3,329
Total additions	73,198	3,329
DEDUCTIONS		
Fees	(6,022)	-
Change in net assets	67,176	3,329
Net assets at January 1, 2004	360,951	57,991
Net assets at December 31, 2004	\$ 428,127	\$ 61,320

The accompanying notes are an integral part of this statement.

Big Rapids Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Rapids Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective January 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at January 1, 2004— governmental funds	\$ 340,665
Capital assets, net	849,359
Long-term liabilities	<u>(497,040)</u>
Restated net assets at January 1, 2004	<u>\$ 692,984</u>

1. Reporting Entity

Big Rapids Township (Township) is a general law township governed by an elected five-member board.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements—Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is to record the Township's fire department activities. The Building Inspection Fund is used to account for the Township's building inspection operation. The Cemetery Perpetual Care Fund is the non-expendable trust fund used for permanently restricted cemetery assets.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays the City of Big Rapids for sewer treatment.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employee's retirement plan, which accumulates resources for pension benefit payments.

The Cemetery Expendable Trust Fund is used to account for resources held in trust for the cemetery.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the Proprietary Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap fees intended to recover the cost of connecting new customers to the system.

When both restricted and unrestricted resources are available for use, it is the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. All investments are stated at fair value.

Pension plan investments are reported at fair value. The Township's pension trust investments are held in trust by the investment fiduciary, John Hancock USA Group Pension Services. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit and are due without penalty on or before February 14. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 state taxable value for real/personal property of the Township totaled approximately \$94,928,000. The ad valorem taxes levied consisted of 1.2088 mills for the Township's operating purposes and 1.4629 mills for Fire Department operations. These amounts are recognized in the respective General Fund and Fire Fund financial statement.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

d. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., sewer system assets), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20
Vehicles	20
Equipment	5
Land improvements	20
Software	2
Plants and systems	50

e. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of November, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Tuesday in November, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Fund Deficit

As of December 31, 2004, the Township's Industrial Development Fund had an undesignated fund deficit of \$47,578. The deficit will be eliminated through future operations.

3. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, actual expenditures exceeded budgeted expenditures in the Legislative Department of the General Fund by \$66,986. The overexpenditure was approved by the Township Board, but the budget was inadvertently not amended for the expenditures. The overexpenditures were funded utilizing the General Fund fund balance.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of December 31, 2004, the Township's carrying amount of deposits was \$1,093,914, and the bank balance was \$1,223,974. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$1,123,974 was uninsured and uncollateralized.

2. Investments

As of December 31, 2004, the Township's investments represented holdings in certificates of deposit with original maturities of longer than three months and mutual funds. During the year ended December 31, 2004, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name.

As of December 31, 2004, the Township had Category 1 certificates of deposit, with carrying values which approximate fair values, of \$100,000. Mutual funds are not categorized. As of December 31, 2004, the Township's fair value in those mutual funds was \$428,127.

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Guaranteed income funds	\$ 15,814
Managed domestic stock funds	<u>412,313</u>
	<u>\$ 428,127</u>

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	<u>Additions</u>	<u>Deductions</u>	Balance December 31, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 97,429	\$ -	\$ -	\$ 97,429
Construction in progress	-	46,806	-	46,806
Total capital assets, not being depreciated	97,429	46,806	-	144,235
Capital assets, being depreciated:				
Buildings and other improvements	384,313	-	-	384,313
Vehicles	632,332	-	-	632,332
Equipment	99,445	16,759	-	116,204
Total capital assets, being depreciated	1,116,090	16,759	-	1,132,849
Less accumulated depreciation for:				
Buildings and other improvements	52,791	2,713	-	55,504
Vehicles	243,987	31,295	-	275,282
Equipment	67,382	14,845	-	82,227
Total accumulated depreciation	364,160	48,853	-	413,013
Total capital assets, being depreciated, net	751,930	(32,094)	-	719,836
Capital assets, net	\$ 849,359	\$ 14,712	\$ -	\$ 864,071
Business-type activities:				
Capital assets, being depreciated:				
Plants and systems	\$ 974,740	\$ -	\$ -	\$ 974,740
Less accumulated depreciation	162,774	24,368	-	187,142
Capital assets, net	\$ 811,966	\$ (24,368)	\$ -	\$ 787,598
Government activities:				
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 47,705
Public safety				1,148
				\$ 48,853

Business-type activities:

Depreciation

Depreciation expense of \$24,368 in the Enterprise Fund was charged to the sewer function.

The Township was awarded a \$2,050,000 grant for infrastructure development in the Big Rapids Area Industrial Park. The Township is required to match \$879,000 in local funds. The Township has not entered into any commitments related to this project at this time.

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows::

Due from/to other funds

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Sewer Fund	\$ 1,034	Operations
General Fund	Building Inspection	4,356	Operations
General Fund	Agency Fund	21,126	Tax collections
Fire Fund	Agency Fund	24,646	Tax collections
Total		<u>\$ 51,162</u>	

Advances from/to other funds

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor governmental fund	<u>\$ 48,000</u>	Operations

<u>Transfers out:</u>	<u>Transfers in:</u>	<u>Purpose</u>
	<u>Cemetery Expendable Trust Fund</u>	
Cemetery Perpetual Care		
Non-Expendable Trust Fund	\$ 3,329	Spendable interest income

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2004.

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2004</u>	<u>Due within one year</u>
Governmental activities:					
Notes payable	\$ <u>497,040</u>	\$ <u>-</u>	\$ <u>447,593</u>	\$ <u>49,447</u>	\$ <u>49,447</u>
Business-type activities:					
Revenue bonds	\$ <u>70,000</u>	\$ <u>-</u>	\$ <u>10,000</u>	\$ <u>60,000</u>	\$ <u>10,000</u>

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

	Balance <u>December 31, 2004</u>
Governmental activities:	
General obligation bonds:	
\$187,000 Note payable due in annual installments of \$51,335 including interest at 3.85%; final payment due December 2005	<u>\$49,447</u>
Business-type activities:	
Revenue bonds:	
\$190,000 Sanitary Sewer System bonds of 1992; annual payments of \$10,000 plus interest at 7.25%; final payment due March 2010	<u>\$60,000</u>

The Township's \$400,000 note payable included in the January 1, 2004 balance represented an agreement with the Michigan Strategic Fund relating to the construction of infrastructure improvements within a Renaissance Zone. The purpose of the Renaissance Zone was to create at least forty new jobs with at least 51 percent of the created jobs to be made available to or held by low and moderate-income people. During 2004, the Michigan Strategic Fund determined that the township created enough net jobs to have the debt converted to a grant. This grant is included in the Statement of Activities as a capital grant.

The 1992 Sanitary Sewer revenue bonds are payable solely from the net revenues of the sewer supply directing the Township to create funds restricted for use in the construction project and in debt service.

The Township was in compliance in all material respects with all the revenue bond ordinances at December 31, 2004.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2004 follows:

Year ending <u>December 31, 2004</u>	Governmental activities		Business-type activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$49,447	\$ 1,888	\$10,000	\$ 4,350
2006	-	-	10,000	3,625
2007	-	-	10,000	2,900
2008	-	-	10,000	2,175
2009	-	-	10,000	1,450
2010	-	-	10,000	725
Total	<u>\$49,447</u>	<u>\$ 1,888</u>	<u>\$60,000</u>	<u>\$15,225</u>

Big Rapids Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE G—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

NOTE H—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a money purchase plan. The plan requires the Township to contribute 25 percent of covered payroll. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through John Hancock USA Group Pension Services, an independent third party, and contributions are based on annual earnings. For the year ended December 31, 2004, the contribution to the Plan by the Township was approximately \$26,600.

REQUIRED SUPPLEMENTAL INFORMATION

Big Rapids Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund
For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
REVENUES	Original	Final		
Property taxes	\$ 115,250	\$ 115,250	\$ 118,076	\$ 2,826
Licenses and permits	7,600	7,600	8,331	731
Intergovernmental revenues				
State	220,000	220,000	227,204	7,204
Local	20,010	20,010	20,427	417
Charges for services	41,993	41,993	60,684	18,691
Investment earnings	2,000	2,000	2,662	662
Other	11,100	11,100	1,009	(10,091)
Total revenues	417,953	417,953	438,393	20,440
EXPENDITURES				
Current				
General government				
Legislative	113,185	113,185	180,171	(66,986)
Supervisor	55,131	55,131	40,784	14,347
Elections	3,821	6,571	5,994	577
Clerk	31,505	31,505	31,505	-
Board of Review	1,433	1,433	1,226	207
Treasurer	30,290	30,290	25,866	4,424
Townhall	14,841	14,841	7,431	7,410
Cemetery	72,292	72,292	64,634	7,658
Fringe Benefits	57,600	60,553	54,236	6,317
Public works	43,500	53,000	51,149	1,851
Community and economic development	45,553	45,553	33,629	11,924
Culture and recreation	7,354	7,354	5,583	1,771
Capital outlay	16,000	16,000	15,968	32
Total expenditures	492,505	507,708	518,176	(10,468)
Excess (deficiency) of revenues over expenditures	(74,552)	(89,755)	(79,783)	9,972
OTHER FINANCING SOURCES				
Transfers in	250	250	-	(250)
Net change in fund balances	\$ (74,302)	\$ (89,505)	(79,783)	\$ 9,722
Fund balance at January 1, 2004			225,623	
Fund balance at December 31, 2004			\$ 145,840	

Big Rapids Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Fire Fund

For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 138,870	\$ 138,870	\$ 138,125	\$ (745)
Intergovernmental revenues				
Local	10,000	-	13,076	13,076
Investment earnings	500	-	537	537
Other	200	-	7,543	7,543
Total revenues	<u>149,570</u>	<u>138,870</u>	<u>159,281</u>	<u>20,411</u>
EXPENDITURES				
Current				
Public safety	86,423	86,423	77,996	8,427
Debt service				
Principal	45,826	45,826	47,593	(1,767)
Interest	5,510	5,510	3,741	1,769
Capital outlay	18,000	18,000	24,783	(6,783)
Total expenditures	<u>155,759</u>	<u>155,759</u>	<u>154,113</u>	<u>1,646</u>
Net change in fund balances	\$ <u>(6,189)</u>	\$ <u>(16,889)</u>	5,168	\$ 22,057
Fund balance at January 1, 2004			<u>1,205</u>	
Fund balance at December 31, 2004			<u>\$ 6,373</u>	

Big Rapids Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Building Inspection

For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Charges for services	\$ 75,000	\$ 75,000	\$ 127,395	\$ 52,395
Investment earnings	-	-	297	297
Total revenues	75,000	75,000	127,692	52,692
EXPENDITURES				
Current				
Public safety	77,250	79,250	82,853	(3,603)
Capital outlay	-	-	74	(74)
Total expenditures	77,250	79,250	82,927	(3,677)
Net change in fund balances	\$ (2,250)	\$ (4,250)	44,765	\$ 49,015
Fund balance at January 1, 2004			5,710	
Fund balance at December 31, 2004			\$ 50,475	

OTHER SUPPLEMENTAL INFORMATION

Big Rapids Township
BALANCE SHEET
Other Governmental Funds
December 31, 2004

	Special Revenue Liquor Law Enforcement Fund	Capital Projects Industrial Development Park Fund	Total governmental funds
ASSETS			
Cash and investments	\$ 3,690	\$ 422	\$ 4,112
Total assets	\$ 3,690	\$ 422	\$ 4,112
LIABILITIES AND FUND DEFICIT			
Liabilities			
Accounts payable	\$ 3,690	\$ -	\$ 3,690
Advances from other funds	-	48,000	48,000
Total liabilities	3,690	48,000	51,690
Fund deficit			
Unreserved	-	(47,578)	(47,578)
Total liabilities and fund balances	\$ 3,690	\$ 422	\$ 4,112

Big Rapids Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 Other Governmental Funds
 For the year ended December 31, 2004

	Special Revenue		Capital Projects		Total other governmental funds
	Liquor Law Enforcement Fund		Industrial Development Fund		
REVENUES					
Intergovernmental revenues					
State	\$ 3,661	\$ -		\$ 3,661	
Investment earnings	28	157		185	
Total revenues	3,689	157		3,846	
EXPENDITURES					
Current					
Public safety	3,690	-		3,690	
Capital outlay	-	52,777		52,777	
Total expenditures	3,690	52,777		56,467	
Excess of revenues over (under) expenditures	(1)	(52,620)		(52,621)	
Fund balances at January 1, 2004	1	5,042		5,043	
Fund balances (deficit) at December 31, 2004	\$ -	\$ (47,578)		\$ (47,578)	